

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1389
ANSWERED ON:02.03.2001
FLOW OF MICRO CREDIT
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government assessed the micro credit requirements in the country;
- (b) if so, whether any plan has been brought out to arrange easy and free flow of micro-credit;
- (c) whether banks have not come out with fixed plan on the arrangements of the flow of micro-credit; and
- (d) if so, the steps the Government propose to take to remove this mindset of the banks with regard to micro credit?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL):

(a) and (b) The Task Force on Supporting Policy and Regulatory Framework for Micro-Finance set up by National Bank for Agriculture and Rural Development (NABARD) assessed the credit needs of the poor who do not have access to regular banking channels at around Rs. 15,000 crore. Reserve Bank of India (RBI) and NABARD have initiated several measures for increasing the credit flow to the micro finance sector. The major steps involve policy interventions and strategies to upscale the formation and nurturing of a large number of micro-finance institutions including Self-Help Groups (SHGs) progressively involving more than 25000 bank branches, 4000 Non-Government Organisations (NGOs) and 2000 Federations of SHGs. The long strategy of NABARD is to link one million SHGs to the banking system by 2008. Steps have also been initiated for framing or amending the Cooperative Societies Acts and rules to provide for the enrolment and financing of micro-finance institutions by Primary Agricultural Cooperative Societies and District Central Cooperative Banks.

(c) and (d) NABARD has reported that the banking institutions have been positively responding to the needs of micro finance sector in the country. As on end December, 2000 a total of 318 banks participated in the micro-credit linking programme. The ground level flow of credit to the SHGs through banks stood at Rs. 287 crore. RBI has issued guidelines to afford banks considerable operational freedom to prescribe their own lending norms keeping in view the ground realities and devise appropriate loan and savings products in this regard. Banks have now been allowed to formulate their own models and choose their intermediary for extending micro finance. The credit plans prepared by banks should accord priority to this sector. A new development fund called Micro Finance Development Fund has also been created.